



# **HUNGARY: WHAT'S NEXT?**

**A PROGNOSIS ON THE AFTERMATH OF  
THE PRIME MINISTER'S RESIGNATION  
POLITICAL CAPITAL RISK FORECAST DIVISION**

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## SUMMARY

- Following de facto resignation of the Prime Minister of Hungary there are two likely scenarios: 1) early elections or 2) a new government supported by the socialist MSZP and the liberal SZDSZ appears to be the most likely scenario.
- If a new government is formed, a „technocrat” Prime Minister can be the successor.
- To guarantee the majority in the parliament MSZP will have to accept further austerity measures and reforms.
- The replacement of the current Prime Minister or early elections will result in stronger political and economic stability in the short term.
- Long term risks of public discontent and the failure of crisis management still exist.

## BACKGROUND

On March 21 Ferenc Gyurcsány announced that he initiates a no-confidence vote against himself to find his successor. He explained his decision with the loss of credibility, and lack of social and political support. The PM said that the socialist party should find a new candidate for Prime Minister within 2 weeks, and hold an extraordinary party congress to elect the candidate.

The decision was a logical move that may guarantee the political survival of Mr. Gyurcsány as a party politician (after his declaration, he was re-elected as president of MSZP with an overwhelming majority, 85% at the party congress). As a strong party president Ferenc Gyurcsány can take control of the whole process of his replacement and the selection of his successor.

Political scenarios after the Prime Minister's decision

### **1) Successful vote of no confidence, a new government is formed (50% chance)**

If MSZP is able to come to terms with at least one more party on the crisis management program of the new government and the person of the Prime Minister, a new government can be formed within a month with the support of the majority of the MPs (193 votes) in

the parliament. Since Fidesz rejected the call for supporting a new government and initiated the dissolution of the parliament, three possibilities have remained:

a) A government supported by MSZP and SZDSZ. In the present situation, forming a new government with the participation of the former coalition parties seems to be the most likely scenario, although the fact that candidate names are being informally circulated by the Socialists proves that the party still does not understand the seriousness of the financial crisis and rather tries to save its depressed voter base. SZDSZ will support a government that handles the crisis by cutting expenditures and implementing structural reforms. A compromise between the two parties may put a non-party-politician, an “outsider”, technocrat-type politician to lead the government, who is acceptable for the international business community. One year in power is not enough for a government to implement structural reforms, but can be sufficient to give some definite answers to the economic crisis (e.g. cutting public expenditures) in order to restore the confidence in the Hungarian economy.

b) A government supported by MSZP and MDF. Forging coalition with the Socialist Party seems to be unacceptable for the smaller conservative party. MDF favors former finance minister Lajos Bokros whose famous austerity package helped Hungary to get out of the crisis in 1995. At this moment MSZP is not willing to accept Mr Bokros as Prime Minister, thus this scenario has the least chance. Forming a government with the socialists is against the interests of MDF, but if a reform government is established, the party (that does not have a faction at this moment) can support some of the initiatives of the new government.

c) A government supported by MSZP, SZDSZ and MDF. Since MSZP and SZDSZ can produce a majority in the parliament, MDF’s support would be unnecessary to form a new government. Balancing between the interests of the three different parties could make the governance difficult and inefficient amid the economic and financial crisis, and the three parties would face difficulties to distinguish themselves from each other. Thus none of the parties could benefit politically from a coalition. Taking these into consideration, there is just a slight chance that all the three parties will vote for the new government.

## **2) Unsuccessful vote of no confidence**

**(5% chance)**

### ***Ferenc Gyurcsány stays as the Prime Minister***

If the vote of no confidence fails, Ferenc Gyurcsány will remain the Prime Minister according to the Constitution. In this case Mr. Gyurcsány has no other option but to resign officially



otherwise he will have to face political outrage. Then the only outcome can be early elections.

### **3) Early elections (45% chance)**

The aim of the “constructive vote of no confidence” was to prevent the dissolution of the parliament and exclude President László Sólyom from the political process of finding a new Prime Minister. It is obvious that both MSZP and SZDSZ want to avoid early elections because both have low public support and the personal financial interest of the MPs is to stay in the Parliament for one more year (corruption has skyrocketed recently). In this aspect, early elections as a possibility have lower chances at the moment, but if the two parties cannot agree on a joint PM candidate they may finally decide to risk early elections.

- 23 MPs from the socialist faction with Fidesz-KDNP and ex-MDF faction members can be enough to form a majority to dissolve the parliament,
- if the PM resigns, and László Sólyom gets the possibility to nominate a new PM, he has the right to dissolve the parliament if the factions cannot find a PM within 40 days after naming the first candidate.

### **Factions in the Hungarian Parliament**

| Faction   | Number of MPs |
|---|---------------|
| MSZP (socialist party)  | 189           |
| Fidesz+KDNP (right-wing opposition party)                         | 161           |
| SZDSZ (liberal party)   | 19            |
| Independent (including ex-MDF MPs)                                | 15            |
| Overall   | 384           |
| The number of votes necessary for a successful no-confidence vote | 193           |